

## **STM position on Japanese Consumption Tax**

### **A. Background to the Japanese Consumption Tax**

On October 1 2015 the Japanese Consumption Tax (JCT) of 8% will be introduced for the provision of cross-border services through the Internet. It is then proposed that in April 2017 legislation will be enacted to increase the JCT from 8% to 10%.

Japan's current JCT regime was established in 1989, well before the advent of the digital economy. Underlying this regime was the principle that the flow of all goods and services comprises of physical tangible assets (I.E. products and/or persons) and that JCT would apply only on the presence of such assets within Japan.

The digital economy therefore brings a level of uncertainty to JCT – as the location of digital products and services is often not apparent. Domestic digital service providers are required to charge JCT on their services however non-resident suppliers are exempt. This has created a perceived pricing disadvantage for domestic Japanese companies vis-à-vis international competitors. The introduction of a new JCT policy in October 2015 has been designed to redress this balance.

### **B. STM position on Japanese Consumption Tax**

Whilst the proposed new JCT seeks to resolve inequity between Japanese domestic and international markets, STM and its members share concern over the current situation where scientific journal publishing is being positioned within the same framework of services provided through the Internet.

Journals support the dissemination of research results from across the world. They are indispensable to the future development of science,

technology and medicine and ensure the integrity and permanence of the scholarly record. Scientific research is by its very nature transnational and collaborative. Access to journal articles by researchers and others within the scholarly community is essential for advancing human understanding and knowledge. Journal articles are required quickly and effortlessly – the Internet has become the defacto method to achieve this.

The majority of users for international and domestic journals are universities and hospitals as well as private companies involved in research and development. Including overseas journals within a new JCT regime will force these institutions to increase their annual expenditure. Several negative impacts are anticipated, such as universities, hospitals and public institutions may be unable to respond to the increased burden of expenditure.

As a result the scholarly record will no longer be able to be maintained at optimal levels, hindering research and education for current and future generations. The strong leadership of Japanese university libraries along with Japanese STM members have both supported efforts to eliminate the information gap between Japan and rest of the world. STM and its members are now concerned that the above continuous joint efforts will be less effective at supporting Japan's international competitiveness.

STM and its members are committed to the widest possible dissemination of and access to published content. Changes to the JCT which would encompass international journals would have a retrograde effect across the research and health sciences sectors within Japan. STM recommends that alternative options which safeguard the scholarly record should be investigated:

- 1) That journals remain exempt from JCT.
- 2) That should overseas journals be encompassed into the JCT, they along with domestic Japanese journals are subjected to a lower rate than 10%.
- 3) That should overseas journals be encompassed into the JCT that equivalent tax relief measures should be considered.

-ENDS-

The International Association of Scientific, Technical and Medical Publishers (“STM”) is the leading global trade association for academic and professional publishers. It has over 120 members in 21 countries including Japan who each year collectively publish nearly 66% of all journal articles and hundreds of thousands of monographs and reference works. STM members include learned societies, university presses, private companies, new starts and established players.

Contact:

Matt McKay

International Association of Scientific, Technical and Medical Publishers

267 Banbury Road

Oxford

OX2 7HT, United Kingdom